Raptor Pharmaceutical Corp
Form POS AM
February 26, 2016
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As filed with the Securities and Exchange Commission on February 26, 2016

Registration No. 333-207370

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 2

FORM S-3

REGISTRATION STATEMENT

Under

The Securities Act of 1933

Raptor Pharmaceutical Corp.

(Exact name of Registrant as specified in its charter)

Delaware	**86-0883978**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization) **Identification No.)**

7 Hamilton Landing, Suite 100

Novato, California 94949

(415) 408-6200

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Michael P. Smith

Chief Financial Officer

Raptor Pharmaceutical Corp.

7 Hamilton Landing, Suite 100

Novato, California 94949

(415) 408-6231

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Charles K. Ruck, Esq.

Kathleen M. Wells, Esq.

Latham & Watkins LLP

140 Scott Drive

Menlo Park, California 94025

(650) 328-4600

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated Filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting Company ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting

pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

Post-Effective Amendment No. 1 to the Registration Statement on Form S-3 (Commission File No. 333-207370) (the Registration Statement) of Raptor Pharmaceutical Corp. (the Registrant) was filed because the Registrant expected that it would no longer be a well-known seasoned issuer (as such term is defined in Rule 405 of the Securities Act) upon the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Post-Effective Amendment No. 1 added disclosure to the Registration Statement required for a registrant other than a well-known seasoned issuer and made certain other amendments set forth therein. This Post-Effective Amendment No. 2 is being filed using EDGAR submission type POS AM in order to convert the Registration Statement to the proper EDGAR submission type for a non-automatic shelf registration statement.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated February 26, 2016.

PROSPECTUS

1,733,940 Shares

Raptor Pharmaceutical Corp.

COMMON STOCK

This prospectus relates to the offer and resale by the selling stockholders identified in this prospectus of up to an aggregate of 1,733,940 shares of our common stock. We will not receive any of the proceeds from the sale of the common stock by the selling stockholders.

The selling stockholders identified in this prospectus may offer the shares from time to time through public or private transactions at prevailing market prices or at privately negotiated prices. This prospectus provides you with a general description of the securities.

The selling stockholders identified in this prospectus may offer and sell the securities described in this prospectus and any prospectus supplement to or through one or more underwriters, dealers and agents, or directly to purchasers, or through a combination of these methods. If the selling stockholders use underwriters, dealers or agents, we will name them and describe their compensation in a supplement to this prospectus as may be required. We will receive no proceeds from any sale by the selling stockholders of the securities offered by this prospectus, but in some cases we have agreed to pay certain registration expenses. If any underwriters, dealers or agents are involved in the sale of any of the securities, their names and any applicable purchase price, fee, commission or discount arrangement between or among them will be set forth, or will be calculable from the information set forth, in the applicable prospectus supplement. See the sections of this prospectus entitled About this Prospectus and Plan of Distribution for more information. No securities may be sold without delivery of this prospectus and the applicable prospectus supplement describing the method and terms of the offering of such securities.

INVESTING IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK. SEE THE RISK FACTORS SECTION ON PAGE 3 OF THIS PROSPECTUS AND ANY SIMILAR SECTION CONTAINED IN THE APPLICABLE PROSPECTUS SUPPLEMENT AND THE DOCUMENTS THAT ARE INCORPORATED BY REFERENCE INTO THIS PROSPECTUS CONCERNING FACTORS YOU SHOULD CONSIDER BEFORE INVESTING IN OUR SECURITIES.

Our common stock is listed on The NASDAQ Global Select Market under the symbol RPTP. On February 25, 2016, the last reported sale price of our common stock on The Nasdaq Global Select Market was $3.81 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 26, 2016.

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ABOUT THIS PROSPECTUS

You should rely only on the information we have provided or incorporated by reference in this prospectus, any supplement to this prospectus or any free writing prospectus we have authored. Neither we, nor the selling stockholders, have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The selling stockholders will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, the applicable prospectus supplement to this prospectus and any related free writing prospectus that we may provide is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in this prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

When we refer to Raptor, we, our, us and the company in this prospectus, we mean Raptor Pharmaceutical Corp (including its predecessors) and its consolidated subsidiaries, unless otherwise specified. When we refer to you, we mean the prospective purchasers of the applicable securities.

This prospectus and any accompanying prospectus supplement, including the information incorporated by reference into this prospectus and any accompanying prospectus supplement, and any free writing prospectuses we have authorized for use in connection with any offering, include trademarks, service marks and trade names owned by us or others companies. All trademarks, service marks and trade names included or incorporated by reference into this prospectus and any accompanying prospectus supplement, and any free writing prospectuses we have authorized for use in connection with any offering, are the property of their respective owners.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In this prospectus, in other filings with the SEC and in press releases and other public statements by our officers throughout the year, we make or will make statements that plan for or anticipate the future. These forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, include statements about our future business plans and strategies, as well as other statements that are not historical in nature. These forward-looking statements are based on our current expectations.

In some cases, these statements can be identified by the use of terminology such as believes, expects, anticipates, plans, may, might, will, could, should, would, projects, anticipates, predicts, intends, continu opportunity or the negative of these terms or other comparable terminology. All such statements, other than statements of historical facts, including statements regarding our financial condition, future results of operations, projected revenues and expenses, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing intellectual properties, technologies, products, plans and objectives of management, markets for our securities and other prospective matters, involve substantial risks and uncertainties and constitute forward-looking statements for the purpose of the safe harbor provided by Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements, wherever they occur, are necessarily estimates reflecting the best judgment of our senior management on the date on which they were made, or if no date is stated, as of the date of the filing made with the SEC in which such statements were made. You should not place undue reliance on these statements, which only reflect information available as of the date that they were made. Our business actual operations, performance, developments and results might differ materially from any forward-looking statement due to various known and unknown risks, uncertainties, assumptions and contingencies, including those described in the section of this prospectus titled Risk Factors as well as other factors not identified therein, and therefore we cannot guarantee future results, levels of activity, performance or achievements and you should not place undue reliance on any such forward-looking statements. We cannot give you any assurance that such forward-looking statements will prove to be accurate and such forward-looking events may not occur. In light of the significant uncertainties inherent in such forward-looking statements, you should not regard the inclusion of this information as a representation by us or any other person that the results or conditions described in those statements or our objectives and plans will be achieved.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to herein. Unless required by U.S. federal securities laws and the rules and regulations of the SEC, we do not undertake any obligation and disclaim any intention to update or release publicly any revisions to these forward-looking statements after the filing of this prospectus to reflect later events or circumstances or to reflect the occurrence of unanticipated events or for any other reason.

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NOTE REGARDING MARKET DATA

We obtained the statistical data, market data and other industry data and forecasts that appears or may appear in this prospectus, any related prospectus supplement or any related free writing prospectus that we may provide and the documents incorporated by reference in this prospectus from sources such as market research reports, publicly available information, industry publications and estimates made by our management. While we believe that this data and these forecasts are reliable, we have not independently verified this information, and we do not make any representation as to the accuracy of this information. We have not sought the consent of the sources to refer to their reports or data appearing or incorporated by reference in this prospectus or any related prospectus supplement or any related free writing prospectus that we may provide.

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WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

Available Information

We file reports, proxy statements and other information with the SEC. Information filed with the SEC by us can be inspected and copied at the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Section of the SEC at prescribed rates. Further information on the operation of the SEC s Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements and other information about issuers, such as us, who file electronically with the SEC. The address of that website is http://www.sec.gov.

Our web site address is http://www.raptorpharma.com. The information on our web site, however, is not, and should not be deemed to be, a part of this registration statement.

This prospectus is part of a registration statement that we filed with the SEC and does not contain all of the information in the registration statement. The full registration statement may be obtained from the SEC or us, as provided below. Whenever a reference is made in this prospectus to a contract or other document, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC s Public Reference Room in Washington, D.C., as well as through the SEC s website, as provided above.

Incorporation by Reference

The SEC s rules allow us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, and subsequent information that we file with the SEC will automatically update and, if applicable, supersede that information. Any statement contained in a previously filed document incorporated by reference will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus, any prospectus supplement or any related free writing prospectus that we may provide or any subsequently filed document that is incorporated by reference in this prospectus modifies or replaces that statement.

We incorporate by reference our documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this prospectus and the termination of the offering of the securities described in this prospectus. We are not, however, incorporating by reference any documents or portions thereof or exhibits thereto, whether specifically listed below or filed in the future, that are not deemed filed with the SEC, including our Compensation Committee report and performance graph or any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K or related exhibits furnished pursuant to Item 9.01 of Form 8-K.

This prospectus and any accompanying prospectus supplement incorporate by reference the documents set forth below that have previously been filed with the SEC:

- Our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 26, 2016; and

Our Current Report on Form 8-K filed with the SEC on February 9, 2016, excluding those portions thereof or exhibits thereto that were furnished to, rather than filed with, the SEC.

All reports and other documents we subsequently file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering, including all such documents we may file with the SEC after the date of the initial registration statement and prior to the effectiveness of the registration statement, but excluding any documents or portions thereof or exhibits thereto that are furnished to, rather than filed with, the SEC, will also be incorporated by reference into this prospectus and deemed to be part of this prospectus from the date of the filing of such reports and documents.

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You may request a free copy of any of the documents incorporated by reference in this prospectus (other than exhibits, unless they are specifically incorporated by reference in the documents) by writing or telephoning us at the following address:

Raptor Pharmaceutical Corp.

7 Hamilton Landing, Suite 100

Novato, CA 94949

(415) 408-6200

Attn: Secretary

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus and any accompanying prospectus supplement.

Trademark Notice

Raptor, our logos and all of our product candidates and trade names are our registered trademarks or our trademarks in the United States and in other select countries. Other third-party logos and product/trade names are registered trademarks or trade names of their respective companies.

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SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus or in documents incorporated herein by reference. This summary is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire prospectus, including the information set forth in the section entitled Risk Factors and the information that is incorporated by reference into this prospectus. See the sections entitled Available Information and Incorporation by Reference for a further discussion on incorporation by reference.

Overview

We are a biopharmaceutical company focused on developing and commercializing transformative treatments for people affected by rare and debilitating diseases.

Our first commercial product, PROCYSBI® (cysteamine bitartrate) delayed-release capsules (PROCYSBI), received marketing approval from the U.S. Food and Drug Administration (FDA) on April 30, 2013 for the management of nephropathic cystinosis in adults and children six years and older. On August 14, 2015, we received FDA approval for the expanded use of PROCYSBI to treat children two to six years of age with nephropathic cystinosis. In Europe, PROCYSBI® gastro-resistant hard capsules of cysteamine (as mercaptamine bitartrate), received marketing authorization on September 6, 2013 from the European Commission (EC), for marketing in the European Union (EU) as an orphan medicinal product for the management of proven nephropathic cystinosis. The EU marketing authorization allows us to commercialize PROCYSBI in the 28 Member States of the EU plus Norway, Liechtenstein and Iceland (which are not EU Member States but are part of the European Economic Area or EEA). PROCYSBI received seven years of market exclusivity, through 2020 for patients six years and older as an orphan drug in the United States and ten years of market exclusivity, through 2023, as an orphan drug in Europe. Recently, PROCYSBI received orphan drug designation for the treatment of patients ages two years to six years, through 2022. We commenced commercial sales of PROCYSBI in the United States in June 2013 and in Europe in April 2014. For at least the near term, our ability to generate revenue is dependent upon sales of PROCYSBI in the United States for the management of nephropathic cystinosis in adults and children two years and older and in the EU for the management of proven nephropathic cystinosis.

As of December 31, 2015, insurers of U.S. commercial patients reimburse Raptor for PROCYSBI therapy at a Wholesale Acquisition Cost, or WAC, price for PROCYSBI of $17,812.50 per bottle of 250 75-mg capsules and $4,275.00 per bottle of 60 25-mg capsules. Prices for PROCYSBI therapy vary among patients because doses are individually based on a patient s weight. In September 2013, we executed an agreement to participate in the U.S. State Medicare/Medicaid rebate program, which is reflected in our net revenues in mandatory rebates on reimbursements for patients receiving state Medicare and Medicaid insurance coverage. As of December 31, 2015, our price to German, Swiss and Austrian pharmacies was 5,850.23 per bottle of 250 75-mg capsules and 468.02 per bottle of 60 25-mg capsules.

In October 2015, we acquired various assets and rights related to levofloxacin solution for inhalation, a pharmaceutical product also known as MP-376 and commercially as QUINSAIR, from Tripex Pharmaceuticals, LLC (Tripex). QUINSAIR received marketing authorization by the EC for treating chronic lung infection caused by the bacteria *Pseudomonas aeruginosa* in adults who have cystic fibrosis in March 2015 and Health Canada in June 2015 for the management of cystic fibrosis in patients aged 18 years or older with chronic pulmonary *Pseudomonas aeruginosa* infections. QUINSAIR is the first inhaled fluoroquinolone approved for the management of chronic pulmonary infections due to *Pseudomonas aeruginosa* in patients with cystic fibrosis 18 years old and older. We plan to launch QUINSAIR in Europe in the first half of 2016 and Canada later in 2016. We plan to discuss the path to

potential approval in the same indication in the United States with the FDA in 2016. We will also pursue a clinical program for the development of MP-376 in non-cystic fibrosis related bronchiectasis in 2016 and are planning to do work in preparation to support further clinical development of MP-376 in nontuberculous mycobacteria. QUINSAIR is not approved in the United States, and we may not market or commercialize QUINSAIR in the United States for any indication unless we receive FDA approval, which we may not be able to obtain.

Corporate Information

We are incorporated under the laws of the State of Delaware and our business was founded in May 2006. Our principal executive office is located at 7 Hamilton Landing, Suite 100, Novato, CA 94949. Our phone number is (415) 408-6200.

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The Offering

Issuer	Raptor Pharmaceutical Corp.
Selling stockholders	Selling stockholders named in this prospectus and any of their pledgees, donees, transferees, assignees or other successors-in-interest. See the section entitled Selling Stockholders.
Securities offered by selling stockholders	1,733,940 shares of our common stock.
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholders.
Risk factors	This investment involves a high degree of risk. See Risk Factors on page 3 of this prospectus and other information we include or incorporate by reference in this prospectus.
Nasdaq Global Select Market symbol	RPTP

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RISK FACTORS

An investment in our common stock involves a high degree of risk. Before you decide to invest in our common stock, you should consider carefully all of the information in this registration statement, including the risks and uncertainties described below, as well as other information included in or incorporated by reference into this registration statement, particularly the specific risk factors discussed in the sections titled Risk Factors contained in our filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, before deciding whether to invest in our common stock. Any of these risks could have a material adverse effect on our business, prospects, financial condition and results of operations. In any such case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Associated with Commercialization and Product Development

Our revenues currently depend on the success of our only current commercial drug, PROCYSBI, for the management of nephropathic cystinosis.

PROCYSBI is our only currently marketed product and as a result, our net revenue and operating results substantially depend on the continued commercial success of PROCYSBI. We commenced marketing for PROCYSBI in the United States in June 2013 and Europe in April 2014. In the United States, we are permitted to market PROCYSBI for the management of nephropathic cystinosis in adults and children two years and older. In September 2013, we received marketing authorization from the European Commission (EC) to commercialize PROCYSBI for the treatment of proven nephropathic cystinosis in the European Economic Area (EEA). We commenced commercial sales of PROCYSBI in Germany in April 2014 and have launched commercial sales in select additional countries in Europe. We have no assurance of securing reimbursement or subsequently launching in additional countries in the EEA. We believe that our results of operations and, in particular, our net product sales of PROCYSBI will affect the trading price of our common stock substantially. If PROCYSBI sales do not meet market expectations, our stock price may significantly decrease.

Our ability to successfully commercialize our current and any other future drug products will depend on multiple factors, including:

- our ability to provide acceptable evidence of the safety and efficacy of our products;
- compliance with regulatory requirements, including fulfilling post-approval commitments;
- our ability to obtain approval by regulatory agencies in other countries, including appropriate product labeling;
- the effect of current and future healthcare laws;
- the manufacture and supply of adequate quantities of our products in compliance with current good manufacturing practices as needed to meet commercial demand;

adequate coverage and reimbursement for our products from commercial health plans and government health programs, which we refer to collectively as third-party payors ;

our ability to obtain acceptable prices in EEA countries and other select territories, including acceptable reimbursement at the country-specific price;

limitations or warnings currently contained in or as may later be required in approved labeling and the breadth of product labeling or product insert requirements;

our ability to enter into agreements with wholesalers, distributors and pharmacies on commercially reasonable terms; and

the protection, development and maintenance of intellectual property and other commercial product protection for our products.

If we fail to grow sales of PROCYSBI in existing markets, to successfully sell PROCYSBI in other countries or to successfully commercialize QUINSAIR or any other future products within a reasonable time period, we will have reduced financial resources and will be unable to fully execute our business plans, and our results of operations and financial condition will be materially adversely affected.

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Our ability to generate significant product sales from our products is dependent upon market acceptance among physicians, patients, patient families, third-party payors and the healthcare community.

Our current and any future drug products may not attain or maintain market acceptance among physicians, patients, patient families, third-party payors or the healthcare community compared to the current and evolving standards of care and to standards of care from new competitors. We believe that the degree of market acceptance and our ability to generate significant product sales of our current and any future drug products will depend on a number of factors, including:

- the efficacy, safety, availability and ease of administration of our products relative to alternative treatments;
- the price of our products, both in absolute terms and relative to the quality of therapeutic benefits and price of alternative treatments;
- the timing of market introductions of our products and product lines relative to competitive treatments;
- the nature of publicity related to our products relative to the publicity related to our competitors products;
- the prevalence and severity of adverse side effects of our current and any future products relative to competitive products;
- good patient compliance to therapy;
- availability of coverage and adequate reimbursement from third-party payors;
- provision of affordable out-of-pocket costs to patients and/or other programs to ensure patient access to our products; and
- the identification of currently diagnosed and undiagnosed patients and continued growth of the cystinosis and cystic fibrosis markets and the markets for any other future products.

Our efforts to educate patients, physicians, parents, the medical community and third-party payors on the benefits of our products may require significant resources and may not be successful at the levels planned. If our products do not achieve and maintain significant market acceptance among physicians, patients, patient families, third-party payors and the healthcare community, our business, results of operations and financial condition will be materially adversely affected.

The amount of our product sales in the EEA is dependent in part upon the pricing and reimbursement decisions adopted in each of the EEA countries, which may not be at acceptable levels to us.

One or more EEA countries may not support pricing within our target pricing and reimbursement range for our products due to budgetary decisions made by regional, national and local health authorities and third-party payors in the EEA, which would negatively affect our revenues. The pricing and reimbursement process in EEA countries can be lengthy, involved and difficult to predict.. Failure to timely complete the pricing and reimbursement process in the EEA countries will delay our ability to market PROCYSBI, to bring QUINSAIR to market in the EEA and to derive revenues from those countries.

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We may be subject to penalties and litigation and large incremental expenses if we fail to comply with regulatory requirements or experience problems with our products.

Even after we achieve regulatory approvals, we are subject to ongoing obligations and continued regulatory review with respect to many operational aspects including our manufacturing processes, labeling, packaging, distribution, storage, adverse event monitoring and reporting, dispensation, advertising, promotion and recordkeeping. These requirements include submissions of safety and other post-marketing information and reports, ongoing maintenance of product registration and continued compliance with good manufacturing practices, or GMPs, good clinical practices, or GCPs, good pharmacovigilance practice, or GVPs, good distribution practices, or GDPs, and good laboratory practices, or GLPs. We are in the process of implementing corrective and preventive actions that we expect will complete in the first quarter of 2016 related to our pharmacovigilance system to address findings issued in August 2015 following a routine inspection from a European regulatory authority in June 2015 and our own internal reviews of our internal processes.

If we, our products or product candidates, or the third-party manufacturing facilities for our products or product candidates fail to comply with applicable regulatory requirements, a regulatory agency may:

- impose injunctions or restrictions on the marketing, manufacturing or distribution of a product, suspend or withdraw product approvals, revoke necessary licenses or suspend product reimbursement;
- issue warning letters, show cause notices or untitled letters describing alleged violations, which may be publicly available;
- suspend any ongoing clinical trials or delay or prevent the initiation of clinical trials;
- delay or refuse to approve pending applications or supplements to approved applications we have filed;
- refuse to permit drugs or precursor or intermediary chemicals to be imported or exported to or from the United States;
- suspend or impose restrictions or additional requirements on operations, including costly new manufacturing quality or pharmacovigilance requirements;
- seize or detain products or require us to initiate a product recall; and/or
- commence criminal investigations and prosecutions.

Moreover, existing regulatory approvals and any future regulatory approvals that we obtain will be subject to limitations on the approved indicated uses and patient populations for which our products may be marketed, the conditions of approval, requirements for potentially costly, post-market testing and requirements for surveillance to

monitor the safety and efficacy of the products. In the EEA, the advertising and promotion of pharmaceuticals is strictly regulated. The direct-to-consumer promotion of prescription pharmaceuticals is not permitted, and some countries in the EEA require the notification and/or prior authorization of promotional or advertising materials directed at healthcare professionals. The FDA, European Medicines Agency (EMA), EC and other authorities in the EEA countries strictly regulate the promotional claims that may be made about prescription products, and our product labeling, advertising and promotion are subject to continuing regulatory review. Physicians nevertheless may

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prescribe our products to their patients in a manner that is inconsistent with the approved label or that is off-label. Positive clinical trial results in any of our product development programs increase the risk that approved pharmaceutical forms of the same active pharmaceutical ingredients may be used off-label in those indications. Our investigational product candidate RP103 is comprised of the same active pharmaceutical ingredient (API) as PROCYSBI. If we are found to have improperly promoted off-label uses of approved products, we may be subject to significant sanctions, civil and criminal fines and injunctions prohibiting us from engaging in specified promotional conduct.

In addition, engaging in improper promotion of our products for off-label uses in the United States can subject us to false claims litigation under federal and state statutes. These false claims statutes in the United States include the federal False Claims Act, which allows any individual to bring a lawsuit against a pharmaceutical company on behalf of the federal government alleging submission of false or fraudulent claims or causing to present such false or fraudulent claims for payment by a federal program such as Medicare or Medicaid. Growth in false claims litigation has increased the risk that a pharmaceutical company will have to defend a false claim action, pay civil money penalties, settlement fines or restitution, agree to comply with burdensome reporting and compliance obligations and be excluded from Medicare, Medicaid and other federal and state healthcare programs.

The regulations, policies or guidance of regulatory agencies may change and new or additional statutes or government regulations may be enacted that could prevent or delay regulatory approval of our product candidates or further restrict or regulate post-approval activities. For example, the Food and Drug Administration Safety and Innovation Act (FDASIA), requires the FDA to issue new guidance describing its policy regarding internet and social media promotion of regulated medical products, and the FDA may soon specify new restrictions on this type of promotion. In January 2014, the FDA released draft guidance on how drug companies can fulfill their regulatory requirements for post-marketing submission of interactive promotional media, and though the guidance provided insight into how the FDA views a company s responsibility for certain types of social media promotion, there remains a substantial amount of uncertainty. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from pending or future legislation or administrative action, either in the United States or abroad. If we are unable to achieve and maintain regulatory compliance, we will not be permitted to market our drugs, which would materially adversely affect our business, results of operations and financial condition.

If we are unable to expand the use of RP103 or MP-376 pursuant to regulatory approval for additional clinical indications or geographic territories, or are unable to obtain regulatory approval for other product candidates, we may delay or terminate some of our product development activities. This would adversely affect the long term value of RP103, MP-376 or other product candidates as well as our growth prospects.

The research, testing, manufacturing, clinical development, labeling, approval, sale, marketing and distribution of drug products, among other things, are subject to extensive regulation by the FDA and other regulatory authorities in the United States and by similar foreign governmental regulatory entities. We are not permitted to market any of our drug product candidates unless we obtain and maintain appropriate marketing approvals from regulatory agencies in each of the markets in which we intend to market our products. Once approved, we may only market our products for the specific uses that are

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reflected in the product s approved labeling. A product s approved labeling may contain limitations or warnings or may be for different patient populations or for fewer or more limited indications than we request in our pre-market approval application, which could result in limiting reimbursement, access for intended use or the commercial profile of a drug. In the United States, we are permitted to market the active pharmaceutical ingredient of RP103 in the formulation of a final drug product and in the doses approved under the brand name PROCYSBI only for the management of nephropathic cystinosis in adults and children two years and older. We are permitted to market PROCYSBI in the EEA as an orphan medicinal product for the treatment of proven nephropathic cystinosis. MP-376 has been approved for marketing in Canada and the European Union (EU) under the specific indication as a medicinal product for the management of chronic pulmonary infections due to *Pseudomonas aeruginosa* in adults 18 years and older with cystic fibrosis. Neither RP103 nor MP-376 has been approved in any other market or for any other disease indication. There can be no assurance that we will obtain regulatory approval for any other uses for our product candidates or that, even if we obtained additional approvals, we would be able to commercialize the product candidates successfully.

A new drug application (NDA), submitted to the FDA, or a marketing authorization application (MAA), submitted to the EMA, must be supported by extensive clinical and preclinical data, as well as extensive information regarding chemistry, manufacturing and controls. This information must demonstrate the safety and efficacy of the applicable product candidate for the management of each individual indication to the satisfaction of the applicable regulatory authority. Obtaining approval of an NDA, MAA or any other filing for marketing authorization in a foreign country for a drug product candidate is an extensive, expensive and uncertain process. The time required to obtain approval by the FDA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. The FDA, EC, EMA or other regulatory authorities may delay, limit or deny approval of RP103, MP-376 or our future drug product candidates for many reasons, including:

- the results of clinical trials may not meet the level of statistical or clinical significance required by regulatory authorities for approval;
- regulatory authorities may disagree with the number, design, size, conduct or implementation of our clinical trials; they may change the requirements for approval even after having reviewed and commented on the design for our clinical trials;
- regulatory authorities may not find the data from preclinical studies and clinical trials sufficient to demonstrate that product candidates have adequate clinical and other benefits or adequate safety profiles, even if they achieve their specified endpoints in clinical trials; or they may disagree with our interpretation of data from preclinical studies or clinical trials and/or require that we conduct additional trials;
- regulatory authorities may not accept data generated at our clinical trial sites;
- if requested by us, regulatory authorities may not hold an advisory committee meeting in a timely manner or at all, or, if an advisory committee is convened it may recommend against approval of our application or may recommend that the regulatory agency require, as a condition of approval, additional preclinical studies

or clinical trials; approval may also be contingent on a Risk Evaluation and Mitigation Strategy, which limits the labeling, distribution or promotion of a drug product;

regulatory authorities may require additional preclinical or clinical studies or other data prior to granting approval, and we may not be able to generate the required data on a timely basis, if at all;

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regulatory authorities may identify deficiencies in the manufacturing processes or in the facilities of our third-party suppliers and/or contract manufacturers or may require us to manufacture additional validation batches or change our submitted regulatory documents, process, specifications or third-party suppliers or contract manufacturers; and

we may not be able to validate manufacturing processes to the satisfaction of the regulatory authorities. With respect to QUINSAIR, the FDA has indicated in previous written communications that it believes the data submitted in connection with EMA s subsequent approval of MP-376 for the management of chronic pulmonary infections due to *Pseudomonas aeruginosa* in adults with cystic fibrosis does not provide substantial evidence of efficacy and safety to support FDA approval of MP-376 for treatment of patients with cystic fibrosis. The FDA identified a number of limitations with the design of the pivotal trial upon which approval of QUINSAIR in the EU and Canada was based that, in the FDA s view, impacts its ability to be used as a pivotal efficacy study. The FDA also questioned whether patients in the study achieved any overall benefit, as the primary endpoint in the study was not met. We intend to discuss potential registration strategies with the FDA. We may not agree with the developmental pathway that the FDA recommends or be able to conduct the clinical trials that the FDA requests, which would limit our ability to seek regulatory approval for MP-376 in the United States.

If we fail to gain regulatory approval for RP103 or MP-376 for other indications, in additional geographic jurisdictions, or for our other future drug product candidates, we will have to delay or terminate some or all of our research product development programs, and our business, results of operations and financial condition will be materially adversely affected.

We do not have internal manufacturing capabilities. In the near term, we expect to continue to rely on a single source supplier for our API for PROCYSBI and a single third-party manufacturer for the conversion to finished commercial drug product. Similarly, we expect to utilize single source suppliers for the QUINSAIR API, drug product and delivery device, upon commercial launch. We also rely on third parties for the distribution and pharmaceutical services of PROCYSBI in the United States and the EEA. If we are unable to rely on these third parties, our revenue will be delayed or diminished and our business, results of operations and financial condition will be materially adversely affected.

We do not own or operate manufacturing facilities and currently lack the in-house capability to manufacture our current products or product candidates. As a result, we currently contract with external contract manufacturing organizations (CMOs), for commercial and clinical quantities of our products for the indications under development. We rely on a single source supplier for our cysteamine API. While we have procured additional manufacturing support with a second provider for clinical supply of PROCYSBI, we will continue to rely on a single third-party manufacturer for supply of finished commercial product. Our ability to obtain sufficient quantities of PROCYSBI and RP103 is constrained by limited supplies of raw materials and the limited capacity and output of these third parties. Furthermore, any reduction, delay or interruption in our supply of APIs from the single source supplier or of our supply of finished goods from our CMOs could result in significant additional operating costs, interruptions in product supply, delays in sales of PROCYSBI, delays in the commercial launch of QUINSAIR, and delays in developing RP103 and MP-376 for additional indications. In addition, supply arrangements from alternative sources not currently under contract may not be available on acceptable economic terms, if at all.

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The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Pharmaceutical products have stringent specifications for product quality including stability that must be maintained within product specifications. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up initial production volume to commercial requirements as more batches are produced and usually at greatly increased scale per batch. Assessing process capability takes time after launch of a pharmaceutical product as process experience grows with manufacturing experience and products are periodically evaluated for improvements or specification revisions. Moreover, cysteamine bitartrate is difficult to manufacture because the molecule is labile and can be sensitive to process and stability conditions. Difficulties may arise related to internal processes, production costs and yields, quality control, including stability of the product and quality control testing, sourcing scarcities, resource constraints, equipment problems, shortages of qualified personnel, labor disputes, severe weather events, unstable political environments or financial difficulties at foreign facilities, as well as compliance with strictly enforced federal, state and foreign regulations. Manufacturers may breach their agreements with us or may terminate or decline to renew their agreements with us, whether due to our breach of the relevant agreements or based on their own business priorities. In addition, due to our small patient population, the manufacture of our drug may be given lower priority on the production line if manufacturing priority is decided by scale. As a result of the above-discussed issues, contract manufacturers may decide that the business risk associated with products such as ours is not justified.

Manufacturers and suppliers are subject to regulatory requirements covering, among other things, manufacturing, process controls, testing, quality control and record keeping and are subject to ongoing inspections by regulatory agencies. We have no direct control over the ability of our contract manufacturing parties to maintain adequate quality control, quality assurance and qualified personnel, and while final outputs are reviewed by our own internal quality control, we depend on our third-party supplier and manufacturers for compliance with the FDA s current cGMP requirements and other FDA requirements, the Drug Enforcement Administration s regulations and other rules and regulations prescribed by applicable non-U.S. regulatory authorities. If our contract manufacturing partners cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or other regulatory authorities, they will not be able to supply manufactured product to us and they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities, and we may experience long delays and interruptions to our manufacturing supply and increased costs.

Pursuant to ongoing obligations from the NDA for PROCYSBI, we are required to collect and submit data to the FDA regularly regarding our currently observed clinical and commercial product profile and overall product safety assessment. Similarly, pursuant to obligations in the MAA for QUINSAIR, we will be required to conduct post-marketing clinical studies in cystic fibrosis patients and submit data to the EMA regularly regarding observed clinical product profile and safety assessment. In addition, we intend to continue to evaluate our product specification limits, and any changes to our product specifications may require additional review and approval by regulators in the United States and Europe. If there are material delays in any such review and approval process, or if regulators reject any proposals for changes in product specifications or require additional data to support the updated specifications, we may experience an inventory shortfall, which would have a material adverse effect on sales of our products.

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If we or our third-party suppliers and manufacturers fail to comply with applicable regulatory requirements, we could experience significant delays or interruptions to our manufacturing supply that may result in the delay or suspension of our preclinical or clinical trials. In addition, a regulatory agency could issue warning letters or untitled letters, seek an injunction, impose civil or criminal penalties or monetary fines, suspend or withdraw regulatory approval, require specification changes, suspend any ongoing clinical trials, refuse to approve pending applications or supplements to applications, suspend or impose restrictions on operations, including costly new manufacturing requirements, seize or detain products or request or require that we initiate a product recall.

We also rely on a third-party logistics provider and specialty pharmacy to distribute PROCYSBI to patients in the United States and to pharmacies in the EEA and to collect from insurance companies and government agencies in the United States and from pharmacies in the EEA. We plan to employ a similar network of third-party services providers to distribute QUINSAIR in the EU and Canada. Our ability to collect from a particular logistics provider is not only subject to such provider s credit worthiness but is also dependent, in part, on its ability to arrange for full reimbursement from third-party payors. The outsourcing of our distribution function is complex, and we may experience difficulties that could reduce, delay or stop shipments of our products. If we encounter such distribution problems, and we are unable to quickly enter into a similar agreement with another specialty distributor on substantially similar terms, if at all, the distribution of our products could become disrupted, resulting in reduced revenues, healthcare provider dissatisfaction and/or patient dissatisfaction, which may materially adversely affect our business, results of operations and financial condition.

If any of these events were to occur, our reputation would be harmed, revenues from sales of our products would be delayed or diminished and our business, results of operations and financial condition would be materially adversely affected.

If serious adverse side effects become associated with our current or future products, our business, results of operations and financial condition will be materially adversely affected.

The prescribing information for both PROCYSBI and QUINSAIR include several warnings relating to observed adverse reactions of the active pharmaceutical ingredient usage. The FDA may require products approved under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act (the FDCA) to bear the same or similar warning statements as the reference product used in the approval. We expect to update adverse reactions listed in the prescribing information for our products based on continued commercial use and additional clinical trials. If additional adverse reactions emerge, or if there is a pattern of severe or persistent previously observed side effects in the relevant patient populations, the FDA, the EMA or other regulatory agencies could modify or revoke our marketing approvals, require us to modify our labels or require us to suspend production, require a product recall, or we may choose to withdraw a product from the market.

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Regulatory authorities could also require us to change the way our products are administered or modify a product in some other way, or they could require us to conduct additional clinical trials or costly post-marketing testing and surveillance to monitor the safety or efficacy of our products. If this were to occur, we may be unable to maintain marketing approvals in our approved indications and/or obtain marketing approval in other indications. In addition, patients or their representatives may bring claims against us alleging serious adverse side effects or harm suffered as a result of use of our products. Any such side effects or related claims could have a material adverse effect on our business, results of operations and financial condition. See also the risk factor titled *We may be subject to product liability claims.*

If we fail to demonstrate safety or efficacy in our preclinical studies or clinical trials or to keep to the terms of a product development program, our future business prospects for our drug product candidates will be materially adversely affected.

Clinical trials are very expensive, time consuming and difficult to design and implement. The outcome of clinical trials is uncertain, and results of earlier studies and trials may not be predictive of future trial results. Delays in the commencement or completion of clinical or preclinical testing for RP103 or MP-376 or any of our other product candidates could significantly affect our product development costs and business plan.

Preclinical studies involve testing in multiple non-human disease models to demonstrate efficacy and safety. Regulatory agencies evaluate these data carefully as part of their determination whether to authorize clinical testing in humans. If certain preclinical data reveal potential safety issues or if the results are inconsistent with an expectation of the drug product candidate s efficacy in humans, the regulatory agencies may require additional testing before allowing human clinical trials. This additional testing will increase program expenses and extend timelines. There are many potential preclinical models to test for different disease states, and we could fail to choose the best or a predictive preclinical model to determine proof of concept, safety and efficacy of our drug product candidates. We may decide to suspend further testing on our drug product candidates or technologies if, in the judgment of our management and advisors, the preclinical test results do not support further development. Following successful preclinical testing, drug product candidates must be tested in a clinical development program to provide data on safety and efficacy in humans prior to becoming eligible for product approval and licensure by regulatory agencies. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials.

Clinical trials may also be delayed or repeated as a result of ambiguous or negative interim results or unforeseen complications in testing. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. The clinical trial process may fail to demonstrate with statistical significance that our drug product candidates are safe for humans and effective for indicated uses. This failure may cause us to abandon a drug product candidate and may delay development of other drug product candidates. For example, we announced in September 2015, based on information then available, that we would not advance our program for the treatment of pediatric non-alcoholic

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steatohepatitis (NASH) with RP103 after topline results from a Phase 2b trial which failed to show efficacy as measured by the trial s primary endpoints. Unless the full data set, which we expect to receive later this year, provides a compelling rationale for us to continue the NASH program, our decision will remain unchanged. Any delay in, or termination of, our preclinical testing or clinical trials will delay the filing of relevant marketing applications with regulatory agencies and, ultimately, our ability to commercialize our drug product candidates and generate revenues from related products.

The rate of completion of any clinical trials will be dependent upon, among other factors, the rate of patient enrollment. Patient enrollment is a function of many factors, including the size of the patient population, the nature of the trial, the nature of the disease or medical condition being studied, the availability of alternative therapies, drugs and competing clinical trials of potential alternative therapeutics, the proximity of patients to clinical sites and the eligibility criteria for the study. Delays in planned patient enrollment may result in increased costs and delays. In addition, because many of our clinical trials involve small patient populations, the results of these early clinical trials may not be indicative of future results. Further, the timing of regulatory approval of clinical trial applications by local regulatory agencies or ethics committees may also affect the initiation of trial sites and therefore the rate of patient enrollment.

Under the Prescription Drug User Fee Act, the FDA seeks to respond to NDAs within ten months of the filing date, but this timeframe is often extended. For example, a sponsor may seek FDA designation of a drug candidate as a fast track product. Fast track products are those products intended for the treatment of a serious or life-threatening disease or condition and which demonstrate the potential to address unmet medical needs for such disease or condition. If fast track designation is obtained, the FDA may initiate review of sections of an NDA before the application is complete. This rolling review is available if the applicant provides and the FDA approves a schedule for the remaining information. In addition, FDASIA established a new category of drugs referred to as breakthrough therapies, which are defined as drugs intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition where preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. In the future, we may request breakthrough designation or fast track designation from the FDA for our other drug product candidates, but there can be no assurance that we will obtain such designations. Moreover, even if we obtain breakthrough designation or fast track designation from the FDA, the designations do not guarantee that the FDA will approve our NDA, that the development program or review timeline will ultimately be shorter than if we had not obtained the designations or that the FDA will not request additional information, including additional clinical studies, during its review.

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We do not know whether our investigational new drug, or IND, applications for future products or the protocols for any future clinical trials will be accepted by the FDA or EMA. We do not know if our clinical trials will begin or be completed on schedule or at all. Even if completed, we do not know if these trials will produce clinically meaningful results sufficient to support an application for marketing approval. The commencement and completion of our planned clinical trials could be substantially delayed or prevented by several factors, including:

- a limited number of, and competition for, suitable patients with particular types of disease for enrollment in clinical trials;
- delays or failures in obtaining regulatory clearance to commence a clinical trial;
- delays or failures in obtaining sufficient clinical materials;
- inability to design appropriate clinical trial protocols;
- delays or failures in reaching agreement on acceptable clinical trial agreement terms or clinical trial protocols with the Institutional Review Boards at prospective sites;
- inability of our clinical research organizations (CROs), or other third-party contractors to comply with all contractual requirements or to perform their services in a timely or acceptable manner;
- inability by us, our CROs or their employees to conduct the clinical trial in accordance with all applicable FDA, Drug Enforcement Administration or other regulatory requirements or our clinical protocols;
- lack of efficacy during, or other unfavorable results from, clinical trials or preclinical studies;
- discovery of serious or unexpected toxicities or side effects experienced by study participants or other unforeseen safety issues;
- failure of patients to complete the clinical trial, or inability or unwillingness of patients or medical investigators to follow our clinical trial protocols;
- inability to monitor patients adequately during or after treatment;
- regulatory action by the FDA or other regulatory authorities; and/or

lack of adequate funding to continue the clinical trial, including the incurrence of any unforeseen costs.

In addition, changes in applicable regulatory requirements and guidance may occur, and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to Institutional Review Boards for reexamination, which may affect the costs, timing or successful completion of a clinical trial.

Sales of our products outside of the United States are also subject to foreign regulatory requirements governing clinical trials, manufacturing and marketing approvals. Even if the FDA and EC grant marketing approval for a product candidate, comparable regulatory authorities of foreign countries must also approve the manufacturing and marketing of our product candidates in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the United States, including additional preclinical studies or clinical trials or manufacturing and control requirements. In many countries outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that country. In many cases, the price that we propose to charge for our products is also subject to approval by individual countries before we can launch our product candidates in those countries. Obtaining foreign

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regulatory approvals, complying with foreign regulatory requirements and gaining approved pricing and reimbursement could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. Further, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. Regulatory approval in one country does not ensure approval in any other country, while a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory approval process in others.

Any delay in our preclinical or clinical programs or the failure to demonstrate safety or efficacy in our clinical trials would have a material adverse effect on our business, results of operations and financial condition.

If we fail to obtain or maintain orphan drug or other regulatory exclusivity for our products or to obtain and maintain exclusivity for our orphan drug product candidates relative to competitive products, our competitors may sell products to treat the same conditions, possibly at lower prices, and our revenues will be significantly reduced.

PROCYSBI received marketing approval from the FDA for the management of nephropathic cystinosis in adults and children two years and older and seven years of market exclusivity as an orphan drug in the United States through the year 2020 for the treatment of patients six years and older and separately received orphan designation with market exclusivity through the year 2022 for patients ages two to six years. PROCYSBI has also received approval as an orphan medicinal product for the management of proven nephropathic cystinosis and 10 years of market exclusivity in the EEA. QUINSAIR received marketing approval from the EMA in 2015 and has also received 10 years of market exclusivity for management of chronic pulmonary infections due to *Pseudomonas aeruginosa* in adults with cystic fibrosis. In the United States, the FDA has designated QUINSAIR as an orphan drug for treatment of pulmonary infections due to *Pseudomonas aeruginosa* and other bacteria in patients with cystic fibrosis. As part of our business strategy, we intend to develop RP103 and MP-376, and potentially other drugs, for additional therapeutic indications that may be eligible for FDA and EMA orphan drug designation.

Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a rare disease or condition, defined as a patient population of less than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States. In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. The company that first obtains FDA approval for a designated orphan drug for a given rare disease receives marketing exclusivity for use of that drug for the stated condition for a period of seven years, plus an additional six months if designated for a pediatric indication.

In the EU, the EMA s Committee for Orphan Medicinal Products grants orphan drug designation to promote the development of products that are intended for the diagnosis, prevention or treatment of life-threatening or chronically debilitating conditions affecting not more than five in 10,000 persons in the EU and for which no satisfactory method of diagnosis, prevention or treatment has been authorized (or if the product would be a significant benefit to those affected). In addition, designation is granted for products

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intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition as well as when it is unlikely that sales of the drug in the EU would be sufficient to justify the necessary investment in developing t